

## **Exhibit K**



### COMMISSION COMPENSATION PLAN DOCUMENT – DRAW ASSOCIATE

**PURPOSE:** To compensate associates for sales achievement.

**ELIGIBILITY:** Must be regularly scheduled for at least 15 hours/week in a commission department.

**COMMISSION RATE:** Varies by department and will be communicated to sales associates by the Human Resources department. (Please note: some leased areas do not pay commission)

**DRAW:** is defined as an hourly rate that is an advance against future commissions. Each weekly pay period, associates earn their draw for each productive selling hour worked the prior week.

Commission associates will not receive less than their current draw for each productive hour worked during a pay period (however, if commissions do not exceed the draw amount, the associate will fall into arrears).

Associates will begin to earn commission once they sell more than then they need to cover their draw within a week.

- Commission payments under the plan are paid weekly and not capped (no maximum).
- Any productivity credit earned from an assist sale will be credited evenly between the two sales associates.
- When an item is returned and the original sales associate for that item is identified, commission for the sale will be deducted from that associate's earnings.
- Productivity and earnings are impacted by all returns.
- Requesting associates receive 100% productivity on all filled merchandise locator sales. Productivity is the dollar amount associated with each transaction in which an associate actively takes part.

	Sales of \$6,000	Sales of \$7,500	Sales of \$10,000
Hourly Rate	\$12.00	\$12.00	\$12.00
Productive Hours	37.50	37.50	37.50
Weekly Draw	\$450.00	\$450.00	\$450.00
Commission Rate	6%	6%	6%
Commission Calculation	\$6,000 X .06 = \$360	\$7,500 X .06 = \$450	\$10,000 X .06 = \$600
<b>Commission Earned (Commission calculation - Draw)</b>	<b>(\$90) Arrears</b>	<b>\$0</b>	<b>\$150</b>

When a commission associate fails to sell enough to cover their weekly draw amount, the shortfall, or arrears, will be deducted from the commission earned (per explanation in Payout Timing below). Arrears continue to roll forward each week, until the entire amount of the arrears is repaid. New Hires will have their arrears reset to zero after 60 days of employment.

**DRAW RATE REVIEW:**

An associate's draw rate is reviewed after the close of each quarter with Maximum Draw Rate established as follows. Associates hired:

- more than 6 months = (Individual Rolling 52 week SPH) x (Commission Rate) x 75%

- less than 6 months = Supplied by Store Operations

If an associate's draw is more than the maximum draw, the draw will be adjusted in 25% increments each quarter until the draw is at the correct level.

#### **ENHANCED COMMISSION PROGRAM FOR \$1 MILLION+ SALES PERFORMANCE**

Upon achievement of the following sales thresholds, additional commission is added to the existing rate as outlined below. This rate will go into effect the first week following the week of achievement of each respective threshold.

<u>LEVEL</u>	<u>SALES VOLUME</u>	<u>COMMISSION RATE</u>
Level I	\$1.0 mill	+.010 (1 percent) above existing comm. rate
Level II	\$1.5 mill	+.020 (2 percent) above existing comm. rate
Level III	\$2.0 mill	+.030 (3 percent) above existing comm. rate

#### **EXAMPLE:**

<b>Week Ending</b>	<b>YTD Net Sales Volume</b>	<b>Area Commission Rate</b>	<b>Enhanced Commission Rate Level</b>	<b>Monthly Commission Earnings</b>	<b>YTD Total Commission Earnings</b>	
9-Nov	\$950,053	6.00%				
16-Nov	\$985,290	6.00%		\$2,114.22	\$59,117.40	
23-Nov	\$1,003,290	6.00%		\$1,080.00	\$60,197.40	
30-Nov	\$1,090,790	7.00%	Level I	\$6,125.00	\$66,322.40	\$1M Achieved

At basic area commission rate of 6%, total commission earnings are:	\$65,447.40
Based on the enhanced commission program, total commission earnings are:	\$66,322.40
Additional earnings resulting from Enhanced Commission Program:	\$875.00

The enhanced commission rate remains in effect until the close of the current fiscal year. The standard commission rate will be reinstated with the start of the new fiscal year.

#### **JEWELRY SALES OF \$100,000 OR GREATER**

- Any jewelry item with a sale price of less than \$100,000 will be included in the commission program based on the current commission rate for jewelry.
- Any jewelry item with a sale price of 100,000 or greater will earn a commission payout based on the following Gross Margin pay schedule:

<b>Gross Margin Rate</b>	<b>Payout Rate</b>
30	Current Payout Rate
27.0 to 29.9	Commission Rate less 1%
25.0 to 26.9	Commission Rate less 2%
< 25.0	Commission Rate less 3%

For example, if the current payout rate (either selling cost or commission rate) is 6% for any jewelry item with a sale price less than \$100,000, then the following payout rates apply to any jewelry item with a sale price of \$100,000 or greater:

<b>Gross Margin Rate</b>	<b>Payout Rate</b>
30	6%
27.0 to 29.9	5%
25.0 to 26.9	4%

&lt; 25.0

3%

**Sales Credit Adjustments**

- In the event that the store is held financially responsible for special conditions necessary to close the sale, the value of these conditions may be deducted from the value of the fine jewelry sale for incentive calculations.
  - These 'special conditions' will be examined and approved on an individual basis.
- The same standard for Assist sales applies to jewelry sales. If two associates assist in the sale, each associate will receive half productivity credit for the sale. The payout rate will be based on the total sale amount.
  - For example: Two associates (with a current payout rate of 6%) assist on a \$400,000 jewelry sale with a 26% gross margin rate. The incentive rate for a \$400,000 jewelry sale with a 26% gross margin rate is 4%. Therefore, each associate would be eligible to receive 4% x (\$400,000/2) or \$8,000.

**Sales Credit Inclusion**

- Any jewelry item with a sale price of \$100,000 or greater (paid per grids above) included in this program will
  - **NOT** be included in any other Sales Associate Compensation Program.
  - be included in determining Million Dollar Achiever status.
  - be included in measuring individual sales associate performance.

**ADMINISTRATIVE GUIDELINES****1. PAYMENT OF NON-PRODUCTIVE ACTIVITIES**

Payment for non-productive activities is based on the "Benefit" rate (explained below). This includes, but not limited to, the following:

- |                 |  |
|-----------------|--|
| • Vacation Days | • Jury Duty  |
| • Personal Days | • Death in family time   |
| • Sick Days     | • Training and/or meeting times which last more than one hour in a day |
| • Holiday*      | • Inventory  |

\* When the store is open, and associates work on a holiday, they earn 1.5 times their draw rate for actual hours worked. However, they need only cover one hour of pay with one hour of selling.

**2. OVERTIME**

Saks will determine and provide any pertinent overtime compensation to all non-exempt, eligible associates in accordance with company policy and, at a minimum, will comply with federal and state laws applicable to retail businesses.

**3. BENEFIT HOURLY RATE****Existing Associates:**

- For the **first 6 months** on commission, **the Benefit rate is the base hourly rate** at the end of the previous season.
- **After 6 months** on commission, the Benefit rate is supplied by Compensation.
- **After 12 months** of participating in the commission program, the hourly Benefit rate will be computed on a weekly basis (i.e. the most recent 52 weeks).

**New Hires:**

- For **first 6 months**, the **Benefit rate is the draw rate**.

- **After 6 months** on commission, the Benefit rate is calculated every week, as follows:

$$\text{Benefit Rate} = \frac{\text{Rolling This Year Productive Earnings} + \text{Rolling This Year Commission Dollars}}{\text{Rolling this Year Productive Hours}}$$

At the conclusion of each week, the Benefit rate will be re-calculated by adding the most recent week and dropping the same week from the previous year.

Benefits (i.e. Life insurance, etc.) are calculated using the previous year's total compensation (as reported on the W2).

#### **4. PAYOUT TIMING**

The Saks Fifth Avenue work week starts on Sunday morning and ends on Saturday night. Hourly wages are paid each Friday for hours worked the previous week. Commissions are paid each Friday for merchandise sold two weeks earlier.

#### **5. TERMINATION/DEATH**

In the event the associate or the company terminates employment, the associate will receive their hourly rate and any commissions earned through the last day of employment pursuant to the payout timing outlined above or according to state mandates, whichever supersedes.

#### **6. TRANSFERS**

If an employee or the company transfers the employee to an area where the pay structure is different than the terms outlined herein, the associate will receive the hourly rate and any commissions earned through the last day of employment.

**COMMISSION COMPENSATION PLAN DOCUMENT -  
DRAW ASSOCIATE  
ACKNOWLEDGEMENT OF RECEIPT**

I, \_\_\_\_\_, have received and reviewed a copy of the Commission Compensation Plan Document – Draw Associate provided to me by Saks Fifth Avenue.

The commission rate for my home department is \_\_\_\_\_, however, I understand that commission rates vary by department and I will be compensated accordingly for sales in those areas. In addition, if my home area changes, my commission rate will change to the rate for that department.

Saks Fifth Avenue reserves the right to change or amend commission programs as business needs dictate. The company will make every effort to provide as much notice as possible when such occasions arise.

I understand and agree, that other than the Chief Executive Officer and General Counsel of the Company, no manager, supervisor or representative of the Company has authority to enter into any agreement, expressed or implied, for employment for any specific period of time, or to make any agreement for employment other than at-will. Any such agreement must be in writing signed by one of these officers.

I understand and agree that nothing in the Commission Compensation Plan Document – Draw Associate creates or is intended to create a promise or representation of continued employment and that employment at the Company is employment at-will; employment may be terminated at the will of either the Company or myself unless I am covered by an employment contract or collective bargaining agreement. My signature below certifies that I understand that the foregoing information on at-will status is the sole and entire understanding between the Company and myself concerning the duration of my employment and the circumstances under which my employment may be terminated. It supersedes all prior understandings and representations concerning my employment with the Company.

For those employees whose employment is covered under a collective bargaining agreement and not “at-will,” the collective bargaining agreement prevails over any statements or policies in this document that are inconsistent with the collective bargaining agreement. Otherwise, if my employment is not covered under a collective bargaining agreement, I agree to abide by all other provisions in the Commission Compensation Plan Document – Draw Associate.

Associates Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Human Resource Representative: \_\_\_\_\_



## COMMISSION COMPENSATION PLAN DOCUMENT – DRAW ASSOCIATE

**PURPOSE:** To compensate associates for sales achievement.

**ELIGIBILITY:** Must be regularly scheduled for at least 15 hours/week in a commission department.

**COMMISSION RATE:** Varies by department and will be communicated to sales associates by the Human Resources department. (Please note: some leased areas do not pay commission)

**NEW HIRE PAY:** New Hires will be compensated at the training rate (*i.e.*, associate's draw + \$1) during their first two weeks of employment. After the 2 weeks, the draw rate will apply.

**DRAW:** is defined as an hourly rate that is an advance against future commissions. Each weekly pay period, associates earn their draw for each productive selling hour worked the prior week.

Commission associates will not receive less than their current draw for each productive hour worked during a pay period (however, if commissions do not exceed the draw amount, the associate will fall into arrears).

- Associates will begin to earn commission once they sell more than then they need to cover their draw within a week.
- Commission payments under the plan are paid weekly and not capped (no maximum)
- Any productivity credit earned from an assist sale will be credited evenly between the two sales associates.
- When an item is returned and the original sales associate for that item is identified, commission for the sale will be deducted from that associate's earnings.
- Productivity and earnings are impacted by all returns.
- Requesting associates receive 100% productivity on all filled merchandise locator sales.
- Productivity is the dollar amount associated with each transaction in which an associate actively takes part

### **EXAMPLES:**

	Sales of \$5,000	Sales of \$6,250	Sales of \$10,000
Hourly Rate	\$10.00	\$10.00	\$10.00
Productive Hours	37.50	37.50	37.50
Weekly Draw	\$375.00	\$375.00	\$375.00
Commission Rate	6%	6%	6%
Commission Calculation	\$5,000 X .06 = \$300	\$6,250 X .06 = \$375	\$10,000 X .06 = \$600
<b>Commission Earned (Commission calculation - Draw)</b>	<b>(\$75) Arrears</b>	<b>\$0</b>	<b>\$225</b>

When a commission associate fails to sell enough to cover their weekly draw amount, the shortfall, or arrears, will be deducted from the commission earned (per explanation in Payout Timing below). Arrears continue to roll forward each week, until the entire amount of the arrears is repaid. New Hires will have their arrears reset to zero after 45 days of employment (*i.e.*, 30 days post-training).

### **DRAW RATE REVIEW:**

An associate's draw rate is reviewed after the close of each month with Maximum Draw Rate established as follows. : **(Individual Rolling 52 week SPH) x (Commission Rate) x 70%**

- New Hires = 30 days past the training period , if the arrears forgiven are at +\$750
- LOA Associates = 30 days after return from LOA
- Associates transitioning from non-commission responsibility = 30 days from transfer date
- All other associates = after the close of each fiscal month

If an associate's draw is more than the maximum draw and is at \$750 in arrears, the draw will be adjusted up to 30% increments (\$0.25 minimum) every 30 days until the draw is at the correct level.

If the calculated draw rate is less than \$10, the draw would be reduced to \$10 (minimum).

The adjusted rate will be effective Sunday of the last week of the fiscal month.

Associate's requests to *reduce their draw rate* earlier than above timeframe would be processed, as requested.

#### **ENHANCED COMMISSION PROGRAM FOR \$1 MILLION+ SALES PERFORMANCE**

Upon achievement of the following sales thresholds, additional commission is added to the existing rate as outlined below. This rate will go into effect the first week following the week of achievement of each respective threshold.

<u>LEVEL</u>	<u>SALES VOLUME</u>	<u>COMMISSION RATE</u>
Level I	\$1.0 million	+1.0% above existing comm. rate
Level II	\$1.5 million	+2.0% above existing comm. rate
Level III	\$2.0 million	+3.0% above existing comm. rate

#### **EXAMPLE:**

<b>Week Ending</b>	<b>YTD Net Sales Volume</b>	<b>Area Commission Rate</b>	<b>Enhanced Commission Rate Level</b>	<b>Monthly Commission Earnings</b>	<b>YTD Total Commission Earnings</b>	
9-Nov	\$950,053	6.00%				
16-Nov	\$985,290	6.00%		\$2,114.22	\$59,117.40	
23-Nov	\$1,003,290	6.00%		\$1,080.00	\$60,197.40	\$1M Achieved
30-Nov	\$1,090,790	7.00%	Level I	\$6,125.00	\$66,322.40	

At basic area commission rate of 6%, total commission earnings are: \$65,447.40

Based on the enhanced commission program, total commission earnings are: \$66,322.40

Additional earnings resulting from Enhanced Commission Program: \$875.00

The enhanced commission rate remains in effect until the close of the current fiscal year. The standard commission rate will be reinstated with the start of the new fiscal year.

#### **NY STORE JEWELRY TIERED COMMISSION**

This program is designed to encourage full-price selling. Commission rate for sales is reduced according to the discount level (discounts including but not limited to: Associate Discount, hard mark-downs, negotiated discount). The adjustment applies to all items sold in Group 18 (Fine Jewelry) which is set at a commission rate of 7%.

The illustration below reflects the actual reductions taken when applying the respective discounts:

<b>Discount Level</b>	<b>&lt; or = to 1%</b>	<b>&gt; 1% but &lt; or = 15%</b>	<b>&gt; 15%</b>
<b>Commission Rate</b>	7%	6%	5%



The reduction in commission rate will take place automatically in the system. Commission adjustment will coincide with the normal commission payment (2 weeks after sale).

#### **Sales Credit Adjustments**

- In the event that the store is held financially responsible for special conditions necessary to close the sale, the value of these conditions may be deducted from the value of the fine jewelry sale for incentive calculations.
  - These 'special conditions' will be examined and approved on an individual basis.

#### **ADMINISTRATIVE GUIDELINES**

##### **1. PAYMENT OF BENEFITS**

Payment for non-productive time is based on the "Benefit" rate (explained below). This includes, the following:

- |                 |              |                       |
|-----------------|--------------|-----------------------|
| • Vacation Days | • Sick Days  | • Jury Duty           |
| • Personal Days | • Holidays * | • Death in the Family |

\* When the store is open, and associates work on a holiday, they earn 1.5 times their draw rate for actual hours worked. However, they need only cover one hour of pay with one hour of selling.

##### **2. TRAINING RATE / INVENTORY / OTHER NON -PRODUCTIVE TIME (NOT LISTED ABOVE)**

After 5 hours of training per week, associate will be compensated at \$1.00 more than their draw rate for the training after 5 hours per week.

*Example:* Associate A (draw is \$10/hr) was on training for 8 hrs in a week. Compensation will be 5 hours at \$10 (at regular hours) and remaining 3 hours at \$11/hr (training hours).

##### **3. OVERTIME**

Saks will determine and provide any pertinent overtime compensation to all non-exempt, eligible associates in accordance with company policy and, at a minimum, will comply with federal and state laws applicable to retail businesses.

##### **4. BENEFIT HOURLY RATE**

**Existing Associates (transferring from Non-commission area into Draw Vs):**

- For the **first 6 months** on commission, **the Benefit rate is the base hourly rate** at the end of the previous season.
- **From 7<sup>th</sup> to 12<sup>th</sup> month** on commission, the Benefit rate is supplied by Compensation. Benefit rate is frozen in HIRE during this time period.
- **After 12 months** of participating in the commission program, the hourly Benefit rate will be computed on a weekly basis (i.e. the most recent 52 weeks).

**New Hires:**

- For **first 6 months**, the **Benefit rate is the draw rate**.
- **After 6 months** on commission, the Benefit rate is calculated every week, as follows:

$$\text{Benefit Rate} = \frac{\text{Rolling This Year Productive Earnings} + \text{Rolling This Year Commission Dollars}}{\text{Rolling this Year Productive Hours}}$$

At the conclusion of each week, the Benefit rate will be re-calculated by adding the most recent week and dropping the same week from the previous year.

Benefits (i.e. Life insurance, etc.) are calculated using the previous year's total compensation (as reported on the W2).

##### **5. PAYOUT TIMING**

The Saks Fifth Avenue work week starts on Sunday morning and ends on Saturday night. Hourly wages are paid each Friday for hours worked the previous week. Commissions are paid each Friday for merchandise sold two weeks earlier.

**6. INQUIRIES CONCERNING PAY**

Inquiries concerning pay, including commission inquiries, must be made within 30 days of receipt of paycheck. Thereafter, the amount of pay, including commission, will be deemed correct.

**7. TERMINATION/DEATH**

In the event the associate or the company terminates employment, the associate will receive their hourly rate and any commissions earned through the last day of employment pursuant to the payout timing outlined above or according to state mandates, whichever supersedes.

For Made to Measure and Bridal Associates earned commission is inclusive of orders that have already been placed but have not yet been delivered. For these associates, commission will be determined when orders have been delivered and the customer has paid in full. If a sales associate is in arrears of \$750 or greater, the associate will be exited on date of notice to resign / no notice pay.

**8. TRANSFERS**

If an employee or the company transfers the employee to an area where the pay structure is different than the terms outlined herein, the associate will receive the hourly rate and any commissions earned through the last day of employment.

**COMMISSION COMPENSATION PLAN DOCUMENT -  
DRAW ASSOCIATE  
ACKNOWLEDGEMENT OF RECEIPT**

I, \_\_\_\_\_, have received and reviewed a copy of the Commission Compensation Plan Document – Draw Associate provided to me by Saks Fifth Avenue.

The commission rate for my home department is \_\_\_\_\_, however, I understand that commission rates vary by department and I will be compensated accordingly for sales in those areas. In addition, if my home area changes, my commission rate will change to the rate for that department.

Saks Fifth Avenue reserves the right to change or amend commission programs as business needs dictate. The company will make every effort to provide as much notice as possible when such occasions arise.

I understand and agree, that other than the Chief Executive Officer and General Counsel of the Company, no manager, supervisor or representative of the Company has authority to enter into any agreement, expressed or implied, for employment for any specific period of time, or to make any agreement for employment other than at-will. Any such agreement must be in writing signed by one of these officers.

I understand and agree that nothing in the Commission Compensation Plan Document – Draw Associate creates or is intended to create a promise or representation of continued employment and that employment at the Company is employment at-will; employment may be terminated at the will of either the Company or myself unless I am covered by an employment contract or collective bargaining agreement. My signature below certifies that I understand that the foregoing information on at-will status is the sole and entire understanding between the Company and myself concerning the duration of my employment and the circumstances under which my employment may be terminated. It supersedes all prior understandings and representations concerning my employment with the Company.

For those employees whose employment is covered under a collective bargaining agreement and not “at-will,” the collective bargaining agreement prevails over any statements or policies in this document that are inconsistent with the collective bargaining agreement. Otherwise, if my employment is not covered under a collective bargaining agreement, I agree to abide by all other provisions in the Commission Compensation Plan Document – Draw Associate.

Associates Signature: \_\_\_\_\_

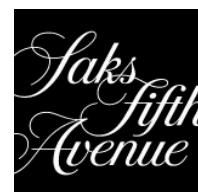
Date: \_\_\_\_\_

Human Resource Representative: \_\_\_\_\_

Plan Document Signature :



Michael A. Santora  
*SVP, Total Rewards and Internal Communications*



## COMMISSION COMPENSATION PLAN DOCUMENT – BASE + COMMISSION

**PURPOSE:** To compensate associates for sales achievement.

**ELIGIBILITY:** Must be regularly scheduled for at least 15 hours/week

**NEW HIRE PAY:** New Hires will be compensated at the training rate (i.e., base rate+ \$1) during their first two weeks of employment. After the 2 weeks, the base rate will apply.

**BASE SALARY:** The base rate for all 'Base + Commission' Cosmetic associates will be determined by the local store. This rate applies to both new hires and existing associates. Associates on the program are NOT eligible for base salary increases.

**Commission:** Associates receive 3% of all eligible net sales, paid weekly.

**Example:**

Hourly Rate	\$12
Commission Rate	3%
Productive Hours Worked	35
Net Sales for the Week	\$5,000
Base Pay	\$420
Commission	\$150

- When an item is returned and the original sales associate for that item is identified, commission for the sale will be deducted from that associate's earnings.
- Productivity and earnings are impacted by all returns.
- Requesting associates receive 100% productivity on all filled merchandise locator sales. Productivity is the dollar amount associated with each transaction in which an associate actively takes part.

**Seasonal Stretch Bonus:** Additionally, the associate is eligible for a seasonal stretch bonus. Each area has a stretch target rate. If the associate's individual selling cost for the season is below the stretch selling cost target rate, the associate will be paid a bonus after the close of the season. In order for an associate to receive any stretch bonus earned, the associate must be actively employed at Saks Fifth Avenue on the last day of the season.

**Calculation:** (Seasonal Sales x Stretch Target Rate) - Seasonal Productive Earnings (weekly base earnings + weekly commission for the entire season)

**Example:**

Hourly Rate	\$12
Commission Rate	3%
Seasonal Hours	910
Season Sales	\$300,000

Base Pay	\$10,920
Commission	\$9,000
Seasonal Productive Earnings	\$19,920
Individual Selling Cost (Seasonal Productive Earnings/Season Sales)	6.64%
Seasonal Stretch Target Rate	9.0%
<b>Since Individual selling cost is lower than target associate is eligible for bonus</b>	
Seasonal Stretch Bonus (\$300,000*9%) – \$19,920	\$7,080
Total New Earnings (\$19,920+ \$7,080)	\$27,000
New Individual Selling Cost (\$27,000/\$300,000)	9.0%

#### **JEWELRY SALES OF \$100,000 OR GREATER**

- Any jewelry item with a sale price of less than \$100,000 will be included in the commission program based on the current commission rate for jewelry.
- Any jewelry item with a sale price of 100,000 or greater will earn a commission payout based on the following Gross Margin pay schedule:

Gross Margin Rate	Payout Rate
30	Current Payout Rate
27.0 to 29.9	Commission Rate less 0.5%
25.0 to 26.9	Commission Rate less 1.0%
< 25.0	Commission Rate less 1.5%

For example, if the current payout rate (either selling cost or commission rate) is 3% for any jewelry item with a sale price less than \$100,000, then the following payout rates apply to any jewelry item with a sale price of \$100,000 or greater:

Gross Margin Rate	Payout Rate
30	3.0%
27.0 to 29.9	2.5%
25.0 to 26.9	2.0%
< 25.0	1.5%

#### **Sales Credit Adjustments**

- In the event that the store is held financially responsible for special conditions necessary to close the sale, the value of these conditions may be deducted from the value of the fine jewelry sale for incentive calculations.
  - These 'special conditions' will be examined and approved on an individual basis.
- The same standard for Assist sales applies to jewelry sales. If two associates assist in the sale, each associate will receive half productivity credit for the sale. The payout rate will be based on the total sale amount.
  - For example: Two associates (with a current payout rate of 3%) assist on a \$400,000 jewelry sale with a 26% gross margin rate. The incentive rate for a \$400,000 jewelry sale with a 26% gross margin rate is 2%. Therefore, each associate would be eligible to receive 2% x (\$400,000/2) or \$4,000.

#### **Sales Credit Inclusion**

- Any jewelry item with a sale price of \$100,000 or greater (paid per grids above) included in this program will
  - NOT** be included in any other Sales Associate Compensation Program.
  - be included in determining Million Dollar Achiever status.

- be included in measuring individual sales associate performance.

## **ADMINISTRATIVE GUIDELINES**

### **1. PAYMENT OF BENEFITS**

Payment for non-productive time is based on the "Benefit" rate (explained below). This includes, the following:

- |                 |              |                       |
|-----------------|--------------|-----------------------|
| • Vacation Days | • Sick Days  | • Jury Duty           |
| • Personal Days | • Holidays * | • Death in the Family |

\* When the store is open, and associates work on a holiday, they earn 1.5 times their base rate for actual hours worked. However, they need only cover one hour of pay with one hour of selling.

### **2. TRAINING RATE / INVENTORY / OTHER NON -PRODUCTIVE TIME (NOT LISTED ABOVE)**

After 5 hours of training per week, associate will be compensated at \$1.00 more than their base rate for the training after 5 hours per week.

*Example:* Associate A (base rate is \$12/hr) was on training for 8 hrs in a week. Compensation will be 5 hours at \$12 (at regular hours) and remaining 3 hours at \$13/hr (training hours).

### **3. OVERTIME**

Saks will determine and provide any pertinent overtime compensation to all non-exempt, eligible associates in accordance with company policy and, at a minimum, will comply with federal and state laws applicable to retail businesses.

### **4. BENEFIT HOURLY RATE**

#### **Existing Associates:**

- For the **first 6 months** on commission, **the Benefit rate is the base hourly rate** at the end of the previous season.
- **After 6 months** on Base + commission, the Benefit rate is supplied by Compensation.
- **After 12 months** of participating in the program, the hourly Benefit rate will be computed on a weekly basis (i.e. the most recent 52 weeks).

#### **New Hires:**

- For **first 6 months**, the **Benefit rate is the base rate**.
- **After 6 months** on Base + commission, the Benefit rate is calculated every week, as follows:

$$\text{Benefit Rate} = \frac{\text{Rolling This Year Productive Earnings} + \text{Rolling This Year Commission Dollars}}{\text{Rolling this Year Productive Hours}}$$

At the conclusion of each week, the Benefit rate will be re-calculated by adding the most recent week and dropping the same week from the previous year.

Benefits (i.e. Life insurance, etc.) are calculated using the previous year's total compensation (as reported on the W2).

### **5. PAYOUT TIMING**

The Saks Fifth Avenue work week starts on Sunday morning and ends on Saturday night. Hourly wages are paid each Friday for hours worked the previous week. Commissions are paid each Friday for merchandise sold two weeks earlier.

### **6. TERMINATION/DEATH**

In the event the associate or the company terminates employment, the associate will receive their hourly rate and any commissions earned through the last day of employment pursuant to the payout timing outlined above or according to state mandates, whichever supersedes.

**7. TRANSFERS**

If an employee or the company transfers the employee to an area where the pay structure is different than the terms outlined herein, the associate will receive the hourly rate and any commissions earned through the last day of employment.



**COMMISSION COMPENSATION PLAN DOCUMENT -  
BASE + COMMISSION ASSOCIATE  
ACKNOWLEDGEMENT OF RECEIPT**

I, \_\_\_\_\_, have received and reviewed a copy of the Commission Compensation Plan Document – Base + Commission Associate provided to me by Saks Fifth Avenue.

Saks Fifth Avenue reserves the right to change or amend commission programs as business needs dictate. The company will make every effort to provide as much notice as possible when such occasions arise.

I understand and agree, that other than the Chief Executive Officer and General Counsel of the Company, no manager, supervisor or representative of the Company has authority to enter into any agreement, expressed or implied, for employment for any specific period of time, or to make any agreement for employment other than at-will. Any such agreement must be in writing signed by one of these officers.

I understand and agree that nothing in the Commission Compensation Plan Document – Base + Commission Associate creates or is intended to create a promise or representation of continued employment and that employment at the Company is employment at-will; employment may be terminated at the will of either the Company or myself unless I am covered by an employment contract or collective bargaining agreement. My signature below certifies that I understand that the foregoing information on at-will status is the sole and entire understanding between the Company and myself concerning the duration of my employment and the circumstances under which my employment may be terminated. It supersedes all prior understandings and representations concerning my employment with the Company.

For those employees whose employment is covered under a collective bargaining agreement and not “at-will,” the collective bargaining agreement prevails over any statements or policies in this document that are inconsistent with the collective bargaining agreement. Otherwise, if my employment is not covered under a collective bargaining agreement, I agree to abide by all other provisions in the Commission Compensation Plan Document – Base + Commission Associate.

Associates Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Human Resource Representative: \_\_\_\_\_



## **COMMISSION COMPENSATION PLAN DOCUMENT – DRAW ASSOCIATE**

**PURPOSE:** To compensate associates for sales achievement.

**ELIGIBILITY:** Must be regularly scheduled for at least 15 hours/week in a commission department.

**COMMISSION RATE:** Varies by department and will be communicated to sales associates by the Human Resources department. (Please note: some leased areas do not pay commission)

**NEW HIRE PAY:** New Hires will be compensated at the training rate (*i.e.*, associate's draw + \$1) during their first two weeks of employment. After the 2 weeks, the draw rate will apply.

**DRAW:** Draw is defined as an hourly rate that is an advance against future commissions. Each weekly pay period, associates earn their draw for each productive selling hour worked the prior week.

Commission associates will not receive less than their current draw for each productive hour worked during a pay period (however, if commissions do not exceed the draw amount, the associate will fall into arrears which will be paid back from their future commissions).

- Associates will begin to earn commission once they sell more than then they need to cover their draw within a week.
- Commission payments under the plan are paid weekly and not capped (no maximum)
- Any productivity credit earned from an assist sale will be credited evenly between the two sales associates.
- Productivity and earnings are impacted by all returns. When an item is returned and the original sales associate for that item is identified, commission for the sale will be deducted from that associate's earnings at the same rate it was originally paid.
- Requesting associates receive 100% productivity on all filled merchandise locator sales.
- Associates receive 100% productivity when they open up a new Saks account. They do not lose the 10% discount given to the new Saks account holder.
- Sales made on Saks.com are eligible to productivity and commission. The commission is based on the merchandise type and is identical to the commissions paid on in-store sales. The commission will paid on a weekly basis. No productivity or commission impact will be reported (or paid) until the web order is shipped to the customer.
- Productivity is the dollar amount associated with each transaction in which an associate actively takes part.

**EXAMPLES:**

	<b>Sales of \$5,000</b>	<b>Sales of \$6,250</b>	<b>Sales of \$10,000</b>
Hourly Draw Rate	\$10.00	\$10.00	\$10.00
Productive Hours	37.50	37.50	37.50
Weekly Draw	\$375.00	\$375.00	\$375.00
Commission Rate	6%	6%	6%
Commission Calculation	\$5,000 X .06 = \$300	\$6,250 X .06 = \$375	\$10,000 X .06 = \$600
<b>Commission Earned (Commission calculation - Draw)</b>	<b>(\$75) Arrears</b>	<b>\$0</b>	<b>\$225</b>

**ARREARS:** When a commission associate fails to sell enough to cover their weekly draw amount, the shortfall, or arrears, will be deducted from the commission earned (per explanation in Payout Timing below). Arrears continue to roll forward each week, until the entire amount of the arrears is repaid.

- New hires will have their beginning deficits reset to zero the week following their first 45 days of employment.
- Associates transitioning into Draw Vs. program from Seasonal Selling Cost Bonus program or from a Support/ Non Selling position will have their arrears wiped out the week following the first 30 days on the commission program.
- Associates transitioning from Base Plus commission program to Draw vs. Commission would have their arrears wiped out upon transfer to the new plan. However, there is no arrears wipeout at the end of their 30<sup>th</sup> day in the Draw vs. program.

**DRAW RATE REVIEW:**

An associate's draw rate is reviewed after the close of each month with Maximum Draw Rate established as follows. :  
**(Individual Rolling 52 week Sales per Hour (SPH)) x (Commission Rate) x 70%**

- New Hires = 30 days past the training period, if the arrears forgiven are at +\$750
- LOA Associates = 30 days after return from LOA
- Associates transitioning from non-commission responsibility = 30 days from transfer date
- All other associates = after the close of each fiscal month

If an associate's draw is more than the maximum draw and is at \$750 in arrears, the draw will be adjusted up to 30% increments (\$0.25 minimum) every 30 days until the draw is at the correct level.

The adjusted rate will be effective Sunday of the last week of the fiscal month.

Associate's requests to *reduce their draw rate* earlier than above timeframe would be processed, as requested.

**MILLION DOLLAR COMPENSATION PROGRAM**

Upon achievement of the following sales thresholds within the fiscal year, bonus is paid to the associate within 30 days following fiscal month end. Associate receives additional 1% commission on sales above 2.0M and 3% commission on sales above 3.0M sales threshold effective the first week following the week of achievement of the sales.

Sales Volume	Increment Bonus	Additional Commission	Total Program Earnings (In Addition to Regular Commission Earned)
<b>EXECUTIVE CLUB:</b>			
1.0 Million	2,000	0%	2,000
1.1 Million	1,100	0%	3,100
1.2 Million	1,200	0%	4,300
1.3 Million	1,300	0%	5,600
1.4 Million	1,400	0%	7,000
1.5 Million	1,500	0%	8,500
1.6 Million	1,600	0%	10,100
1.7 Million	1,700	0%	11,800
1.8 Million	1,800	0%	13,600
1.9 Million	1,900	0%	15,500
<b>PRESIDENT CLUB:</b>			
2.0 Million	3,500	1.0%	19,000
2.1 Million	2,100	1.0%	22,100
2.2 Million	2,200	1.0%	25,300
2.3 Million	2,300	1.0%	28,600
2.4 Million	2,400	1.0%	32,000
2.5 Million	2,500	1.0%	35,500
2.6 Million	2,600	1.0%	39,100
2.7 Million	2,700	1.0%	42,800
2.8 Million	2,800	1.0%	46,600
2.9 Million	2,900	1.0%	50,500
<b>CHAIRMAN CLUB:</b>			
3.0 Million	0	3.0%	51,500
4.0 Million	0	3.0%	81,500
5.0 Million	0	3.0%	111,500

This recognition program remains in effect until the close of the current fiscal year. The standard commission rate will be reinstated with the start of the new fiscal year.

### **NY STORE JEWELRY TIERED COMMISSION**

This program is designed to encourage full-price selling. Commission rate for sales is reduced according to the discount level (discounts including but not limited to: Associate Discount, hard mark-downs, negotiated discount). The adjustment applies to all items sold in Group 18 (Fine Jewelry) which is set at a commission rate of 7%.

The illustration below reflects the actual reductions taken when applying the respective discounts:

Discount Level	< or = to 1%	> 1% but < or = 15%	> 15%
Commission Rate	7.0%	6.0%	5.0%

The reduction in commission rate will take place automatically in the company's payroll system. Commission adjustment will coincide with the normal commission payment (2 weeks after sale).

#### **Sales Credit Adjustments**

- In the event that the store is held financially responsible for special conditions necessary to close the sale, the value of these conditions may be deducted from the value of the fine jewelry sale for incentive calculations.
  - These 'special conditions' will be examined and approved on an individual basis.

### **ADMINISTRATIVE GUIDELINES**

#### **1. PAYMENT OF BENEFITS**

Payment for non-productive time is based on the "Benefit" rate (explained below). This includes, the following:

- Paid Time Off (*Vacation, Sick, and Personal Days*)
- Company Recognized Holidays\*
- Jury Duty
- Death in the Family

\* When the store is open, and associates work on a holiday, they earn 1.5 times their draw rate for actual hours worked. However for productivity purposes, the associate need only cover one hour of pay with one hour of selling.

#### **2. BENEFIT HOURLY RATE**

$$\text{Benefit Rate} = \frac{\text{Rolling This Year Productive Earnings} + \text{Rolling This Year Commission Dollars}}{\text{Rolling this Year Average Scheduled Hours}^*}$$

*\*Average Scheduled Hours determines Annual Paid Time Off (PTO) allocation and at what rate PTO hours are paid*

At the conclusion of each week, the Benefit rate will be recalculated by adding the most recent week and dropping the same week from the previous year.

##### **New Hires:**

- For **first 6 months**, the **Benefit rate is the draw rate**.
- **After 6 months** on commission, the Benefit rate is calculated every week using the formula above.

##### **Existing Associates (transferring from Non-commission area into Commission):**

- For the **first 6 months** on commission, **the Benefit rate is the base hourly rate** at the end of the previous season.
- **From 7<sup>th</sup> to 12<sup>th</sup> month** on commission, the Benefit rate is a calculated rate factoring in the commission earned during the first six months (plus bonus if transitioning from Selling Cost Bonus program). The calculated Benefit rate will be in effect during this time period.
- **After 12 months** of participating in the commission program, the hourly Benefit rate will be computed on a weekly basis (i.e., the most recent 52 weeks) using the formula above.

Benefits (i.e. Life insurance, etc.) are calculated using the previous year's total compensation (as reported on the W2).

**3. TRAINING RATE: TRAINING HRS / INVENTORY / OTHER NON-PRODUCTIVE TIME (NOT LISTED ABOVE)**

The first 5 hours of non-productive time each week will be paid at draw/base rate. Non-productive time over 5 hours will be compensated at Training Rate which is equivalent to draw/base rate +\$1.00.

*Example:*

Associate A (draw is \$10/hr) was on training for 7 hrs, and did inventory for 4 hours, a total of 11 hours non-productive time. Compensation will be 5 hours at \$10/hr and remaining 6 hours at \$11/hr (training rate).

Associate B (draw is \$10/hr) was on training for 2.5 hrs, and did inventory for 2 hours . a total of 4.5 hours non-productive time. Compensation will be 4.5 hours at \$10/hr.

**4. OVERTIME**

Saks will determine and provide any pertinent overtime compensation to all non-exempt, eligible associates in accordance with company policy and, at a minimum, will comply with federal and state laws applicable to retail businesses.

**5. PAYOUT TIMING**

The Saks Fifth Avenue work week starts on Sunday morning and ends on Saturday night. Hourly wages are paid each Friday for hours worked the previous week. Commissions are paid each Friday for merchandise sold two weeks earlier. Million dollar Book bonuses are paid within 30 days following the fiscal month end.

**6. INQUIRIES CONCERNING PAY**

Inquiries concerning pay, including commission inquiries, must be made within 30 days of receipt of paycheck. Thereafter, the associate accepts the amount of pay, including commission true and correct.

**7. TERMINATION**

In the event the associate or the company terminates employment, the associate will receive their hourly rate and any commissions earned through the last day of employment pursuant to the payout timing outlined above or according to state mandates, whichever supersedes.

For Made to Measure and Bridal Associates earned commission is inclusive of orders that have already been placed but have not yet been delivered. For these associates, commission will be determined when orders have been delivered and the customer has paid in full.

If a sales associate is in arrears of \$750 or greater, the Associate will be exited on the date of notice to resign and the company will not provide notice pay.

**8. TRANSFERS**

If an employee or the company transfers the employee to an area where the pay structure is different than the terms outlined herein, the associate will receive the hourly rate and any commissions earned through the last day of employment.

**COMMISSION COMPENSATION PLAN DOCUMENT -  
DRAW ASSOCIATE  
ACKNOWLEDGEMENT OF RECEIPT**

By my signature below, I acknowledge that I have received and reviewed a copy of the Commission Compensation Plan Document – Draw Associate provided to me by Saks Fifth Avenue.

The commission rate for my home department is \_\_\_\_\_, however, I understand that commission rates vary by department and I will be compensated accordingly for sales in those areas. In addition, if my home area changes, my commission rate will change to the rate for that department.

Saks Fifth Avenue reserves the right to change, amend, or terminate commission programs as business needs dictate. The company will make every effort to provide as much notice as possible when such occasions arise. This Plan Document supersedes all prior understandings and representations concerning my compensation plan.

I understand and agree that nothing in the Commission Compensation Plan Document – Draw Vs Commission Associate creates or is intended to create a promise or representation of continued employment or an expressed contract for employment.

I agree to abide by all other provisions in the Commission Compensation Plan Document – Draw Vs Commission Associate.

Associates Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Human Resource Representative: \_\_\_\_\_

Plan Document Signature :



\_\_\_\_\_  
Michael A. Santora  
Senior Vice President, Total Rewards



## **COMMISSION COMPENSATION PLAN DOCUMENT – DRAW ASSOCIATE**

**PURPOSE:** To compensate associates for sales achievement.

**ELIGIBILITY:** Must be regularly scheduled for at least 15 hours/week in a commission department.

**COMMISSION RATE:** Varies by department and will be communicated to sales associates by the Human Resources department. (Please note: some leased areas do not pay commission)

**NEW HIRE PAY:** New Hires will be compensated at the training rate (*i.e.*, associate's draw + \$1) during their first two weeks of employment. After the 2 weeks, the draw rate will apply.

**DRAW:** Draw is defined as an hourly rate that is an advance against future commissions. Each weekly pay period, associates earn their draw for each productive selling hour worked the prior week.

Commission associates will not receive less than their current draw for each productive hour worked during a pay period (however, if commissions do not exceed the draw amount, the associate will fall into arrears which will be paid back from their future commissions).

- Associates will begin to earn commission once they sell more than then they need to cover their draw within a week.
- Commission payments under the plan are paid weekly and not capped (no maximum)
- Any productivity credit earned from an assist sale will be credited evenly between the two sales associates.
- Productivity and earnings are impacted by all returns. When an item is returned and the original sales associate for that item is identified, commission for the sale will be deducted from that associate's earnings at the same rate it was originally paid.
- Requesting associates receive 100% productivity on all filled merchandise locator sales.
- Associates receive 100% productivity when they open up a new Saks account. They do not lose the 10% discount given to the new Saks account holder.
- Sales made on Saks.com are eligible to productivity and commission. The commission is based on the merchandise type and is identical to the commissions paid on in-store sales. The commission will paid on a weekly basis. No productivity or commission impact will be reported (or paid) until the web order is shipped to the customer.
- Productivity is the dollar amount associated with each transaction in which an associate actively takes part.

**EXAMPLES:**

	Sales of \$5,000	Sales of \$6,250	Sales of \$10,000
Hourly Draw Rate	\$10.00	\$10.00	\$10.00
Productive Hours	37.50	37.50	37.50
Weekly Draw	\$375.00	\$375.00	\$375.00
Commission Rate	6%	6%	6%
Commission Calculation	\$5,000 X .06 = \$300	\$6,250 X .06 = \$375	\$10,000 X .06 = \$600
<b>Commission Earned (Commission calculation - Draw)</b>	<b>(\$75) Arrears</b>	<b>\$0</b>	<b>\$225</b>

**ARREARS:** When a commission associate fails to sell enough to cover their weekly draw amount, the shortfall, or arrears, will be deducted from the commission earned (per explanation in Payout Timing below). Arrears continue to roll forward each week, until the entire amount of the arrears is repaid.

- New hires will have their beginning deficits reset to zero the week following their first 45 days of employment.
- Associates transitioning into Draw Vs. program from Seasonal Selling Cost Bonus program or from a Support/ Non Selling position will have their arrears wiped out the week following the first 30 days on the commission program.
- Associates transitioning from Base Plus commission program to Draw vs. Commission would have their arrears wiped out upon transfer to the new plan. However, there is no arrears wipeout at the end of their 30<sup>th</sup> day in the Draw vs. program.

**DRAW RATE REVIEW:**

An associate's draw rate is reviewed after the close of each month with Maximum Draw Rate established as follows. :  
**(Individual Rolling 52 week Sales per Hour (SPH)) x (Commission Rate) x 70%**

- New Hires = 30 days past the training period, if the arrears forgiven are at +\$750
- LOA Associates = 30 days after return from LOA
- Associates transitioning from non-commission responsibility = 30 days from transfer date
- All other associates = after the close of each fiscal month

If an associate's draw is more than the maximum draw and is at \$750 in arrears, the draw will be adjusted up to 30% increments (\$0.25 minimum) every 30 days until the draw is at the correct level.

The adjusted rate will be effective Sunday of the last week of the fiscal month.

Associate's requests to *reduce their draw rate* earlier than above timeframe would be processed, as requested.

**MILLION DOLLAR COMPENSATION PROGRAM**

Upon achievement of the following sales thresholds within the fiscal year, bonus is paid to the associate within 30 days following fiscal month end. Associate receives additional 1% commission on sales above 2.0M and 3% commission on sales above 3.0M sales threshold effective the first week following the week of achievement of the sales. The associate has to be employed at time of payment of the bonus.

Sales Volume	Increment Bonus	Total Bonus Earned	Additional Commission
<b>EXECUTIVE CLUB:</b>			
1.0 Million	2,000	2,000	0
1.1 Million	1,100	3,100	0
1.2 Million	1,200	4,300	0
1.3 Million	1,300	5,600	0
1.4 Million	1,400	7,000	0
1.5 Million	1,500	8,500	0
1.6 Million	1,600	10,100	0
1.7 Million	1,700	11,800	0
1.8 Million	1,800	13,600	0
1.9 Million	1,900	15,500	0
<b>PRESIDENT CLUB:</b>			
2.0 Million	3,500	19,000	1.0%
2.1 Million	2,100	21,100	1.0%
2.2 Million	2,200	23,300	1.0%
2.3 Million	2,300	25,600	1.0%
2.4 Million	2,400	28,000	1.0%
2.5 Million	2,500	30,500	1.0%
2.6 Million	2,600	33,100	1.0%
2.7 Million	2,700	35,800	1.0%
2.8 Million	2,800	38,600	1.0%
2.9 Million	2,900	41,500	1.0%
<b>CHAIRMAN CLUB:</b>			
3.0 Million	0	41,500	3.0%
4.0 Million	0	41,500	3.0%
5.0 Million	0	41,500	3.0%

This recognition program remains in effect until the close of the current fiscal year. The standard commission rate will be reinstated with the start of the new fiscal year.



**NY STORE TIERED JEWELRY COMMISSION**

This program is designed to encourage full-price selling. Commission rate for sales is reduced according to the discount level (discounts including but not limited to: Associate Discount, hard mark-downs, negotiated discount). The adjustment applies to all items sold in Group 18 (Fine Jewelry) which is set at a commission rate of 7%.

The illustration below reflects the actual reductions taken when applying the respective discounts:

Discount Level	< or = to 1%	> 1% but < or = 15%	> 15%
Commission Rate	7.0%	6.0%	5.0%

The reduction in commission rate will take place automatically in the company's payroll system. Commission adjustment will coincide with the normal commission payment (2 weeks after sale).

**Sales Credit Adjustments**

- In the event that the store is held financially responsible for special conditions necessary to close the sale, the value of these conditions may be deducted from the value of the fine jewelry sale for incentive calculations.
  - These 'special conditions' will be examined and approved on an individual basis.

**ADMINISTRATIVE GUIDELINES****1. PAYMENT OF BENEFITS**

Payment for non-productive time is based on the "Benefit" rate (explained below). This includes, the following:

- Paid Time Off (*Vacation, Sick, and Personal Days*)
- Jury Duty
- Company Recognized Holidays\*
- Death in the Family

\* When the store is open, and associates work on a holiday, they earn 1.5 times their draw rate for actual hours worked. However for productivity purposes, the associate need only cover one hour of pay with one hour of selling.

**2. BENEFIT HOURLY RATE**

$$\text{Benefit Rate} = \frac{\text{Rolling This Year Productive Earnings} + \text{Rolling This Year Commission Dollars}}{\text{Rolling this Year Average Scheduled Hours}^*}$$

*\*Average Scheduled Hours determines Annual Paid Time Off (PTO) allocation and at what rate PTO hours are paid*

At the conclusion of each week, the Benefit rate will be recalculated by adding the most recent week and dropping the same week from the previous year.

**New Hires:**

- For **first 6 months**, the **Benefit rate is the draw rate**.
- After 6 months** on commission, the Benefit rate is calculated every week using the formula above.

**Existing Associates (transferring from Non-commission area into Commission):**

- For the **first 6 months** on commission, **the Benefit rate is the base hourly rate** at the end of the previous season.
- From 7<sup>th</sup> to 12<sup>th</sup> month** on commission, the Benefit rate is a calculated rate factoring in the commission earned during the first six months (plus bonus if transitioning from Selling Cost Bonus program). The calculated Benefit rate will be in effect during this time period.
- After 12 months** of participating in the commission program, the hourly Benefit rate will be computed on a weekly basis (i.e., the most recent 52 weeks) using the formula above.

Benefits (i.e. Life insurance, etc.) are calculated using the previous year's total compensation (as reported on the W2).

**3. TRAINING RATE: TRAINING HRS / INVENTORY / OTHER NON-PRODUCTIVE TIME (NOT LISTED ABOVE)**

The first 5 hours of non-productive time each week will be paid at draw/base rate. Non-productive time over 5 hours will be compensated at Training Rate which is equivalent to draw/base rate +\$1.00.

*Example:*

Associate A (draw is \$10/hr) was on training for 7 hrs, and did inventory for 4 hours, a total of 11 hours non-productive time. Compensation will be 5 hours at \$10/hr and remaining 6 hours at \$11/hr (training rate).

Associate B (draw is \$10/hr) was on training for 2.5 hrs, and did inventory for 2 hours. a total of 4.5 hours non-productive time. Compensation will be 4.5 hours at \$10/hr.

**4. OVERTIME**

Saks will determine and provide any pertinent overtime compensation to all non-exempt, eligible associates in accordance with company policy and, at a minimum, will comply with federal and state laws applicable to retail businesses.

**5. PAYOUT TIMING**

The Saks Fifth Avenue work week starts on Sunday morning and ends on Saturday night. Hourly wages are paid each Friday for hours worked the previous week. Commissions are paid each Friday for merchandise sold two weeks earlier. Million dollar Book bonuses are paid within 30 days following the fiscal month end. The associate has to be employed at time of payment of any bonus.

**6. INQUIRIES CONCERNING PAY**

Inquiries concerning pay, including commission inquiries, must be made within 30 days of receipt of paycheck. Thereafter, the associate accepts the amount of pay, including commission true and correct.

**7. TERMINATION**

In the event the associate or the company terminates employment, the associate will receive their hourly rate and any commissions earned through the last day of employment pursuant to the payout timing outlined above or according to state mandates, whichever supersedes.

For Made to Measure and Bridal Associates earned commission is inclusive of orders that have already been placed but have not yet been delivered. For these associates, commission will be determined when orders have been delivered and the customer has paid in full.

If a sales associate is in arrears of \$750 or greater, the Associate will be exited on the date of notice to resign and the company will not provide notice pay.

In addition, the associate has to be employed at time of payment of any bonus.

**8. TRANSFERS**

If an employee or the company transfers the employee to an area where the pay structure is different than the terms outlined herein, the associate will receive the hourly rate and any commissions earned through the last day of employment.

**COMMISSION COMPENSATION PLAN DOCUMENT -  
DRAW ASSOCIATE  
ACKNOWLEDGEMENT OF RECEIPT**

By my signature below, I acknowledge that I have received and reviewed a copy of the Commission Compensation Plan Document – Draw Associate provided to me by Saks Fifth Avenue.

The commission rate for my home department is \_\_\_\_\_, however, I understand that commission rates vary by department and I will be compensated accordingly for sales in those areas. In addition, if my home area changes, my commission rate will change to the rate for that department.

Saks Fifth Avenue reserves the right to change, amend, or terminate commission programs as business needs dictate. The company will make every effort to provide as much notice as possible when such occasions arise. This Plan Document supersedes all prior understandings and representations concerning my compensation plan.

I understand and agree that nothing in the Commission Compensation Plan Document – Draw Vs Commission Associate creates or is intended to create a promise or representation of continued employment or an expressed contract for employment.

I agree to abide by all other provisions in the Commission Compensation Plan Document – Draw Vs Commission Associate.

Associates Signature: \_\_\_\_\_

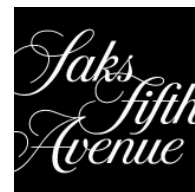
Date: \_\_\_\_\_

Human Resource Representative: \_\_\_\_\_

Plan Document Signature :



\_\_\_\_\_  
Michael A. Santora  
Senior Vice President, Total Rewards



## **COMMISSION COMPENSATION PLAN DOCUMENT – DRAW ASSOCIATE**

**PURPOSE:** To compensate associates for sales achievement.

**ELIGIBILITY:** Must be regularly scheduled for at least 15 hours/week in a commission department.

**COMMISSION RATE:** Varies by department and will be communicated to sales associates by the Human Resources department. A detailed Commission Chart will be available in associate's S4.

**NEW HIRE PAY:** New Hires will be compensated at the training rate (*i.e.*, associate's draw + \$1) during their first two weeks of employment. After the 2 weeks, the draw rate will apply.

**DRAW:** Draw is defined as an hourly rate that is an advance against future commissions. Each weekly pay period, associates earn their draw for each productive selling hour worked the prior week.

- Commission associates will not receive less than their current draw for each productive hour worked during a pay period (however, if commissions do not exceed the draw amount, the associate will fall into arrears which will be paid back from their future commissions).
- Associates will begin to earn commission once they sell more than then they need to cover their draw within a week.
- Commission payments under the plan are paid weekly and not capped (no maximum)

### **EXPECTED COMMISSION AND PRODUCTIVITY BY TRANSACTION:**

- Productivity and earnings are impacted by all returns. When an item is returned and the original sales associate for that item is identified, commission for the sale will be deducted from that associate's earnings at the same rate it was originally paid.
- Requesting associates receive 100% productivity on all filled merchandise locator sales.
- Associates receive 100% productivity when they open up a new Saks account. They do not lose the 10% discount given to the new Saks account holder.
- Sales made on Saks.com are eligible to productivity and commission. The commission is based on the merchandise type and is identical to the commissions paid on in-store sales. The commission will be paid on a weekly basis. No productivity or commission impact will be reported (or paid) until the web order is shipped to the customer.
- Productivity is the dollar amount associated with each transaction in which an associate actively takes part.
- Jewelry Assists: FAC and Million Dollar Book Associates will have the option to work with the Jewelry selling manager and receive 100% productivity and commission on jewelry sales. This will be handled manually using the existing 100% assist functionality. All other assisted jewelry sales will be a split between the jewelry associate and the original sales associate.
- Any productivity credit earned from an assist sale will be credited evenly between the two sales associates.
- Even exchange: this transaction does not exist at POS and is handled as a simple return and new sale. The original selling associate will have the commission they were originally paid taken back and the new selling associate will receive commission on the new item
- Suspend/Retrieve: the original associate will receive full productivity and commission. If additional items are purchased while working with a second associate and the second associate is to receive full or partial productivity and commission, the original transaction should be tendered and a new transaction created for the additional merchandise
- Holds: the associate who places items on hold will receive full productivity and commission. If a second associate assists the customer in selecting additional items, the original associate will get 100% commission and productivity on the items that were on hold and the second associate will receive 100% productivity and commission on the additional items.
- SPA (Selling Price Adjustment): the commission for the original associate is reduced by the corresponding amount.

**EXAMPLES:**

	Sales of \$5,000	Sales of \$6,250	Sales of \$10,000
Hourly Draw Rate	\$10.00	\$10.00	\$10.00
Productive Hours	37.50	37.50	37.50
Weekly Draw	\$375.00	\$375.00	\$375.00
Commission Rate	6%	6%	6%
Commission Calculation	\$5,000 X .06 = \$300	\$6,250 X .06 = \$375	\$10,000 X .06 = \$600
<b>Commission Earned (Commission calculation - Draw)</b>	<b>(\$75) Arrears</b>	<b>\$0</b>	<b>\$225</b>

**ARREARS:** When a commission associate fails to sell enough to cover their weekly draw amount, the shortfall, or arrears, will be deducted from the commission earned (per explanation in Payout Timing below). Arrears continue to roll forward each week, until the entire amount of the arrears is repaid.

- New hires will have their beginning deficits reset to zero the week following their first 45 days of employment.
- Associates transitioning into to Draw Vs. program from Seasonal Selling Cost Bonus program or from a Support/ Non Selling position will have their arrears wiped out the week following the first 30 days on the commission program.
- Associates transitioning from Base Plus commission program to Draw vs. Commission would have their arrears wiped out upon transfer to the new plan. However, there is no arrears wipeout at the end of their 30<sup>th</sup> day in the Draw vs. program.

**DRAW RATE REVIEW:**

An associate's draw rate is reviewed after the close of each month with Maximum Draw Rate established as follows. :

**(Individual Rolling 52 week Sales per Hour (SPH)) x (Commission Rate) x 70%**

- New Hires = 30 days past the training period, if the arrears forgiven are at +\$750
- LOA Associates = 30 days after return from LOA
- Associates transitioning from non-commission responsibility = 30 days from transfer date
- All other associates = after the close of each fiscal month

If an associate's draw is more than the maximum draw and is at \$750 in arrears, the draw will be adjusted up to 30% increments (\$0.25 minimum) every 30 days until the draw is at the correct level.

The adjusted rate will be effective Sunday of the last week of the fiscal month.

Associate's requests to *reduce their draw rate* earlier than above timeframe would be processed, as requested.

**SPLITTING OF JEWELRY SALES GUIDELINES****Purpose**

Jewelry is a highly specialized merchandise category which often requires a specific level of product knowledge to appropriate service our customers. In order to continue to grow the Jewelry business while properly servicing our customers, Fifth Avenue Club Consultants and any Associates who have achieved \$1 Million in sales will work directly with the Jewelry Selling Manager to complete a Jewelry sale.

**Eligible Associates**

- All Fifth Avenue Club Consultants
- Selling Associates who achieved \$1 Million or more of sales in the prior year
- New Million Dollar Associates – an Associate who did not meet the \$1 Million requirement in the previous year will be eligible for this benefit once they hit the requirement in the current year consistent with the MDB process.

**Process**

- Whenever possible, eligible Associates should notify the Jewelry Selling Manager in advance of an upcoming appointment with a potential jewelry client.
- The Jewelry SM will provide appropriate assistance and product knowledge throughout the sale.
- The Jewelry SM will ring the final transaction with a 100% assist.

**Productivity**

- The eligible Associate will receive 100% productivity and 100% commission.

**JEWELRY SALES OF \$100,000 OR GREATER**

- Any jewelry item with a sale price of less than \$100,000 will be included in the commission program based on the current commission rate for jewelry.
- Any jewelry item with a sale price of 100,000 or greater will earn a commission payout based on the following Gross Margin pay schedule:

Gross Margin Rate	Payout Rate
30	Current Payout Rate
27.0 to 29.9	Commission Rate less 1%
25.0 to 26.9	Commission Rate less 2%
< 25.0	Commission Rate less 3%

For example, if the current payout rate (either selling cost or commission rate) is 6% for any jewelry item with a sale price less than \$100,000, then the following payout rates apply to any jewelry item with a sale price of \$100,000 or greater:

Gross Margin Rate	Payout Rate
30	6%
27.0 to 29.9	5%
25.0 to 26.9	4%
< 25.0	3%

**Sales Credit Adjustments**

- In the event that the store is held financially responsible for special conditions necessary to close the sale, the value of these conditions may be deducted from the value of the fine jewelry sale for incentive calculations.
- These 'special conditions' will be examined and approved on an individual basis.
- The same standard for Assist sales applies to jewelry sales. If two associates assist in the sale, each associate will receive half productivity credit for the sale. The payout rate will be based on the total sale amount.
  - For example: Two associates (with a current payout rate of 6%) assist on a \$400,000 jewelry sale with a 26% gross margin rate. The incentive rate for a \$400,000 jewelry sale with a 26% gross margin rate is 4%. Therefore, each associate would be eligible to receive 4% x (\$400,000/2) or \$8,000.

**Sales Credit Inclusion**

- Any jewelry item with a sale price of \$100,000 or greater (paid per grids above) included in this program will
  - NOT** be included in any other Sales Associate Compensation Program.
  - be included in determining Million Dollar Achiever status.
  - be included in measuring individual sales associate performance.

**MILLION DOLLAR COMPENSATION PROGRAM**

Upon achievement of the following sales thresholds within the fiscal year, bonus is paid to the associate within 30 days following fiscal month end. The associate has to be employed at time of payment of the bonus.

Associate receives additional 1% commission on sales above 2.0M and 3% commission on sales above 3.0M sales threshold effective the first week following the week of achievement of the sales.

This recognition program remains in effect until the close of the current fiscal year. The standard commission rate will be reinstated with the start of the new fiscal year.

In addition, Million Dollar Book Associates are eligible to receive 100% productivity and commission on Jewelry sales.

Sales Volume	Increment Bonus	Total Bonus Earned	Additional Commission
<b>EXECUTIVE CLUB:</b>			
1.0 Million	2,000	2,000	0
1.1 Million	1,100	3,100	0
1.2 Million	1,200	4,300	0
1.3 Million	1,300	5,600	0
1.4 Million	1,400	7,000	0
1.5 Million	1,500	8,500	0
1.6 Million	1,600	10,100	0
1.7 Million	1,700	11,800	0
1.8 Million	1,800	13,600	0
1.9 Million	1,900	15,500	0
<b>PRESIDENT CLUB:</b>			
2.0 Million	3,500	19,000	1.0%
2.1 Million	2,100	21,100	1.0%
2.2 Million	2,200	23,300	1.0%
2.3 Million	2,300	25,600	1.0%
2.4 Million	2,400	28,000	1.0%
2.5 Million	2,500	30,500	1.0%
2.6 Million	2,600	33,100	1.0%
2.7 Million	2,700	35,800	1.0%
2.8 Million	2,800	38,600	1.0%
2.9 Million	2,900	41,500	1.0%
<b>CHAIRMAN CLUB:</b>			
3.0 Million	0	41,500	3.0%
4.0 Million	0	41,500	3.0%
5.0 Million	0	41,500	3.0%

## **ADMINISTRATIVE GUIDELINES**

### **1. PAYMENT OF BENEFITS**

Payment for non-productive time is based on the "Benefit" rate (explained below). This includes, the following:

- Paid Time Off
- Company Recognized Holidays\*
- Jury Duty
- Death in the Family

\* When the store is open, and associates work on a holiday, they earn 1.5 times their draw rate for actual hours worked. However for productivity purposes, the associate need only cover one hour of pay with one hour of selling.

### **2. BENEFIT HOURLY RATE**

$$\text{Benefit Rate} = \frac{\text{Rolling This Year Productive Earnings} + \text{Rolling This Year Commission Dollars}}{\text{Rolling this Year Average Scheduled Hours}^*}$$

*\*Average Scheduled Hours determines Annual Paid Time Off (PTO) allocation and at what rate PTO hours are paid*

At the conclusion of each week, the Benefit rate will be recalculated by adding the most recent week and dropping the same week from the previous year.

#### **New Hires:**

- For **first 6 months**, the **Benefit rate is the draw rate**.
- **After 6 months** on commission, the Benefit rate is calculated every week using the formula above.

**Existing Associates (transferring from Non-commission area into Commission):**

- For the **first 6 months** on commission, **the Benefit rate is the base hourly rate** at the end of the previous season.
- **From 7<sup>th</sup> to 12<sup>th</sup> month** on commission, the Benefit rate is a calculated rate factoring in the commission earned during the first six months (plus bonus if transitioning from Selling Cost Bonus program).  
The calculated Benefit rate will be in effect during this time period.
- **After 12 months** of participating in the commission program, the hourly Benefit rate will be computed on a weekly basis (i.e. the most recent 52 weeks) using the formula above.

Benefits (i.e. Life insurance, etc.) are calculated using the previous year's total compensation (as reported on the W2).

**3. TRAINING RATE: TRAINING HRS / INVENTORY / OTHER NON-PRODUCTIVE TIME (NOT LISTED ABOVE)**

The first 5 hours of non-productive time each week will be paid at draw rate. Non-productive time over 5 hours will be compensated at Training Rate which is equivalent to draw rate +\$1.00.

**4. OVERTIME**

Saks will determine and provide any pertinent overtime compensation to all non-exempt, eligible associates in accordance with company policy and, at a minimum, will comply with federal and state laws applicable to retail businesses.

**5. PAYOUT TIMING**

The Saks Fifth Avenue work week starts on Sunday morning and ends on Saturday night. Hourly wages are paid each Friday for hours worked the previous week. Commissions are paid each Friday for merchandise sold two weeks earlier. Million dollar Book bonuses are paid within 30 days following the fiscal month end. The associate has to be employed at time of payment of any bonus.

**6. INQUIRIES CONCERNING PAY**

Inquiries concerning pay, including commission inquiries, must be made within 30 days of receipt of paycheck. Thereafter, the associate accepts the amount of pay, including commission true and correct.

**7. TERMINATION**

In the event the associate or the company terminates employment, the associate will receive their hourly rate and any commissions earned through the last day of employment pursuant to the payout timing outlined above or according to state mandates, whichever supersedes.

For Made to Measure and Bridal Associates earned commission is inclusive of orders that have already been placed but have not yet been delivered. For these associates, commission will be determined when orders have been delivered and the customer has paid in full.

If a sales associate is in arrears of \$750 or greater, the associate will be exited on the date of notice to resign and the company will not provide notice pay.

In addition, associate has to be employed at time of payment of any bonus.

**8. TRANSFERS**

If an employee or the company transfers the employee to an area where the pay structure is different than the terms outlined herein, the associate will receive the hourly rate and any commissions earned through the last day of employment.



**COMMISSION COMPENSATION PLAN DOCUMENT -  
DRAW ASSOCIATE  
ACKNOWLEDGEMENT OF RECEIPT**

I acknowledge that I have received and reviewed a copy of the Commission Compensation Plan Document – Draw Associate provided to me by Saks Fifth Avenue.

I understand that commission rates vary by department and I will be compensated accordingly for sales in those areas. A detailed list of the Commission Code Chart is available in S4.

Saks Fifth Avenue reserves the right to change, amend, or terminate commission programs as business needs dictate. The company will make every effort to provide as much notice as possible when such occasions arise. This Plan Document supersedes all prior understandings and representations concerning my compensation plan.

I understand and agree that nothing in the Commission Compensation Plan Document – Draw Vs Commission Associate creates or is intended to create a promise or representation of continued employment or an expressed contract for employment.

I agree to abide by all other provisions in the Commission Compensation Plan Document – Draw Vs Commission Associate.

Plan Document Signature :

A handwritten signature in black ink, reading "Michael A. Santora". The signature is fluid and cursive, with the first name "Michael" and last name "Santora" clearly legible. It is positioned above a horizontal line.

Michael A. Santora  
*Senior Vice President, Total Rewards*



## **COMMISSION COMPENSATION PLAN DOCUMENT – DRAW ASSOCIATE**

**PURPOSE:** To compensate associates for sales achievement.

**ELIGIBILITY:** Must be regularly scheduled for at least 15 hours/week in a commission department.

**COMMISSION RATE:** Varies by department and will be communicated to sales associates by the Human Resources department. (Please note: some leased areas do not pay commission).  
A detailed Commission Chart will be available in associate's S4.

**NEW HIRE PAY:** New Hires will be compensated at the training rate (*i.e.*, associate's draw + \$1) during their first two weeks of employment. After the 2 weeks, the draw rate will apply.

**DRAW:** Draw is defined as an hourly rate that is an advance against future commissions. Each weekly pay period, associates earn their draw for each productive selling hour worked the prior week.

- Commission associates will not receive less than their current draw for each productive hour worked during a pay period (however, if commissions do not exceed the draw amount, the associate will fall into arrears which will be paid back from their future commissions).
- Associates will begin to earn commission once they sell more than then they need to cover their draw within a week.
- Commission payments under the plan are paid weekly and not capped (no maximum)

### **EXPECTED COMMISSION AND PRODUCTIVITY BY TRANSACTION:**

- Productivity and earnings are impacted by all returns. When an item is returned and the original sales associate for that item is identified, commission for the sale will be deducted from that associate's earnings at the same rate it was originally paid.
- Requesting associates receive 100% productivity on all filled merchandise locator sales.
- Associates receive 100% productivity when they open up a new Saks account. They do not lose the 10% discount given to the new Saks account holder.
- Sales made on Saks.com are eligible to productivity and commission. The commission is based on the merchandise type and is identical to the commissions paid on in-store sales. The commission will paid on a weekly basis. No productivity or commission impact will be reported (or paid) until the web order is shipped to the customer.
- Productivity is the dollar amount associated with each transaction in which an associate actively takes part.
- Jewelry Assists: FAC and Million Dollar Book Associates will have the option to work with the Jewelry selling manager and receive 100% productivity and commission on jewelry sales. This will be handled manually using the existing 100% assist functionality. All other assisted jewelry sales will be a split between the jewelry associate and the original sales associate.
- Any productivity credit earned from an assist sale will be credited evenly between the two sales associates.
- Even exchange: this transaction does not exist at POS and is handled as a simple return and new sale. The original selling associate will have the commission they were originally paid taken back and the new selling associate will receive commission on the new item
- Suspend/Retrieve: the original associate will receive full productivity and commission. If additional items are purchased while working with a second associate and the second associate is to receive full or partial productivity and commission, the original transaction should be tendered and a new transaction created for the additional merchandise
- Holds: the associate who places items on hold will receive full productivity and commission. If a second associate assists the customer in selecting additional items, the original associate will get 100% commission and productivity on

the items that were on hold and the second associate will receive 100% productivity and commission on the additional items.

- SPA (Selling Price Adjustment): the commission for the original associate is reduced by the corresponding amount

#### EXAMPLES:

	Sales of \$5,000	Sales of \$6,250	Sales of \$10,000
Hourly Draw Rate	\$10.00	\$10.00	\$10.00
Productive Hours	37.50	37.50	37.50
Weekly Draw	\$375.00	\$375.00	\$375.00
Commission Rate	6%	6%	6%
Commission Calculation	\$5,000 X .06 = \$300	\$6,250 X .06 = \$375	\$10,000 X .06 = \$600
<b>Commission Earned (Commission calculation - Draw)</b>	<b>(\$75) Arrears</b>	<b>\$0</b>	<b>\$225</b>

**ARREARS:** When a commission associate fails to sell enough to cover their weekly draw amount, the shortfall, or arrears, will be deducted from the commission earned (per explanation in Payout Timing below). Arrears continue to roll forward each week, until the entire amount of the arrears is repaid.

- New hires will have their beginning deficits reset to zero the week following their first 60 days of employment.
- Associates transitioning into Draw Vs. program from Seasonal Selling Cost Bonus program or from a Support/ Non Selling position will have their arrears wiped out the week following the first 30 days on the commission program.
- Associates transitioning from Base Plus commission program to Draw vs. Commission would have their arrears wiped out upon transfer to the new plan. However, there is no arrears wipeout at the end of their 30<sup>th</sup> day in the Draw vs. program.

#### **DRAW RATE REVIEW:**

An associate's draw rate is reviewed after the close of each month with Maximum Draw Rate established as follows. :  
**(Individual Rolling 52 week Sales per Hour (SPH)) x (Commission Rate) x 70%**

- New Hires = 60 days from date of hire, if the arrears forgiven are at +\$750
- LOA Associates = 30 days after return from LOA
- Associates transitioning from non-commission responsibility = 30 days from transfer date
- All other associates = after the close of each fiscal month

If an associate's draw is more than the maximum draw and is at \$750 in arrears, the draw will be adjusted up to 30% increments (\$0.25 minimum) every 30 days until the draw is at the correct level.

The adjusted rate will be effective Sunday of the last week of the fiscal month.

Associate's requests to *reduce their draw rate* earlier than above timeframe would be processed, as requested.

#### **SPLITTING OF JEWELRY SALES GUIDELINES**

##### **Purpose**

Jewelry is a highly specialized merchandise category which often requires a specific level of product knowledge to appropriate service our customers. In order to continue to grow the Jewelry business while properly servicing our customers, Fifth Avenue Club Consultants and any Associates who have achieved \$1 Million in sales will work directly with the Jewelry Selling Manager to complete a Jewelry sale.

##### **Eligible Associates**

- All Fifth Avenue Club Consultants
- Selling Associates who achieved \$1 Million or more of sales in the prior year
- New Million Dollar Associates – an Associate who did not meet the \$1 Million requirement in the previous year will be eligible for this benefit once they hit the requirement in the current year consistent with the MDB process.

##### **Process**

- Whenever possible, eligible Associates should notify the Jewelry Selling Manager in advance of an upcoming appointment with a potential jewelry client.
- The Jewelry SM will provide appropriate assistance and product knowledge throughout the sale.
- The Jewelry SM will ring the final transaction with a 100% assist.

**Productivity**

The eligible Associate will receive 100% productivity and 100% commission.

**MILLION DOLLAR COMPENSATION PROGRAM**

Upon achievement of the following sales thresholds within the fiscal year, bonus is paid to the associate within 30 days following fiscal month end. Associate receives additional 1% commission on sales above 2.0M and 3% commission on sales above 3.0M sales threshold effective the first week following the week of achievement of the sales.

The associate has to be employed at time of payment of the bonus.

Sales Volume	Increment Bonus	Total Bonus Earned	Additional Commission
<b>EXECUTIVE CLUB:</b>			
1.0 Million	2,000	2,000	0
1.1 Million	1,100	3,100	0
1.2 Million	1,200	4,300	0
1.3 Million	1,300	5,600	0
1.4 Million	1,400	7,000	0
1.5 Million	1,500	8,500	0
1.6 Million	1,600	10,100	0
1.7 Million	1,700	11,800	0
1.8 Million	1,800	13,600	0
1.9 Million	1,900	15,500	0
<b>PRESIDENT CLUB:</b>			
2.0 Million	3,500	19,000	1.0%
2.1 Million	2,100	21,100	1.0%
2.2 Million	2,200	23,300	1.0%
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2.4 Million	2,400	28,000	1.0%
2.5 Million	2,500	30,500	1.0%
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2.8 Million	2,800	38,600	1.0%
2.9 Million	2,900	41,500	1.0%
<b>CHAIRMAN CLUB:</b>			
3.0 Million	0	41,500	3.0%
4.0 Million	0	41,500	3.0%
5.0 Million	0	41,500	3.0%

This recognition program remains in effect until the close of the current fiscal year. The standard commission rate will be reinstated with the start of the new fiscal year.

In addition, Million Dollar Book Associates are eligible to receive 100% productivity and commission on Jewelry sales.

**NY STORE TIERED JEWELRY COMMISSION**

This program is designed to encourage full-price selling. Commission rate for sales is reduced according to the discount level (discounts including but not limited to: Associate Discount, hard mark-downs, negotiated discount). The adjustment applies to all items sold in Group 18 (Fine Jewelry) which is set at a commission rate of 7%.

The illustration below reflects the actual reductions taken when applying the respective discounts:

Discount Level	< or = to 1%	> 1% but < or = 15%	> 15%
Commission Rate	7.0%	6.0%	5.0%

The reduction in commission rate will take place automatically in the company's payroll system. Commission adjustment will coincide with the normal commission payment (2 weeks after sale).

**Sales Credit Adjustments**

- In the event that the store is held financially responsible for special conditions necessary to close the sale, the value of these conditions may be deducted from the value of the fine jewelry sale for incentive calculations.
  - These 'special conditions' will be examined and approved on an individual basis.

**ADMINISTRATIVE GUIDELINES****1. PAYMENT OF BENEFITS**

Payment for non-productive time is based on the "Benefit" rate (explained below). This includes, the following:

- Paid Time Off (PTO)
- Company Recognized Holidays\*
- Jury Duty
- Death in the Family

\* When the store is open, and associates work on a holiday, they earn 1.5 times their draw rate for actual hours worked. However for productivity purposes, the associate need only cover one hour of pay with one hour of selling.

**2. BENEFIT HOURLY RATE**

$$\text{Benefit Rate} = \frac{\text{Rolling This Year Earnings} - \text{Earnings paid at Benefit Rate}}{\text{Rolling this Year Average Scheduled Hours} * - \text{Hours paid at Benefit Rate}}$$

*\*Average Scheduled Hours determines Annual Paid Time Off (PTO) allocation and at what rate PTO hours are paid*

At the conclusion of each week, the Benefit rate will be recalculated by adding the most recent week and dropping the same week from the previous year.

**New Hires:**

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- **After 6 months** on commission, the Benefit rate is calculated every week using the formula above.

**Existing Associates (transferring from Non-commission area into Commission):**

- For the **first 6 months** on commission, **the Benefit rate is the base hourly rate** at the end of the previous season.
- **From 7<sup>th</sup> to 12<sup>th</sup> month** on commission, the Benefit rate is a calculated rate factoring in the commission earned during the first six months (plus bonus if transitioning from Selling Cost Bonus program). The calculated Benefit rate will be in effect during this time period.
- **After 12 months** of participating in the commission program, the hourly Benefit rate will be computed on a weekly basis (i.e., the most recent 52 weeks) using the formula above.

Benefits (i.e. Life insurance, etc.) are calculated using the previous year's total compensation (as reported on the W2).

**3. TRAINING RATE: TRAINING HRS / INVENTORY / OTHER NON-PRODUCTIVE TIME (NOT LISTED ABOVE)**

The first 5 hours of non-productive time each week will be paid at draw/base rate. Non-productive time over 5 hours will be compensated at Training Rate which is equivalent to draw/base rate +\$1.00.

**4. OVERTIME**

Saks will determine and provide any pertinent overtime compensation to all non-exempt, eligible associates in accordance with company policy and, at a minimum, will comply with federal and state laws applicable to retail businesses.

**5. PAYOUT TIMING**

The Saks Fifth Avenue work week starts on Sunday morning and ends on Saturday night. Hourly wages are paid each Friday for hours worked the previous week. Commissions are paid each Friday for merchandise sold two weeks earlier. Million dollar Book bonuses are paid within 30 days following the fiscal month end. The associate has to be employed at time of payment of any bonus.

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If a sales associate is in arrears of \$750 or greater, the Associate will be exited on the date of notice to resign and the company will not provide notice pay.

In addition, the associate has to be employed at time of payment of any bonus.

**8. TRANSFERS**

If an employee or the company transfers the employee to an area where the pay structure is different than the terms outlined herein, the associate will receive the hourly rate and any commissions earned through the last day of employment.

**COMMISSION COMPENSATION PLAN DOCUMENT -  
DRAW ASSOCIATE  
ACKNOWLEDGEMENT OF RECEIPT**

I acknowledge that I have received and reviewed a copy of the Commission Compensation Plan Document – Draw Associate provided to me by Saks Fifth Avenue.

I understand that commission rates vary by department and I will be compensated accordingly for sales in those areas. A detailed list of the Commission Code Chart is available in S4.

Saks Fifth Avenue reserves the right to change, amend, or terminate commission programs as business needs dictate. The company will make every effort to provide as much notice as possible when such occasions arise. This Plan Document supersedes all prior understandings and representations concerning my compensation plan.

I understand and agree that nothing in the Commission Compensation Plan Document – Draw Vs Commission Associate creates or is intended to create a promise or representation of continued employment or an expressed contract for employment.

I agree to abide by all other provisions in the Commission Compensation Plan Document – Draw Vs Commission Associate.

Plan Document Signature :



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Michael A. Santora  
*Senior Vice President, Total Rewards*